



STAFF REPORT

Resolution of the Belmont Redevelopment Agency approving a modification to the Existing Homebuyers Assistance Program

Honorable Chair and Directors:

Summary

Staff is recommending that the current “Homebuyer Assistance Program” be modified to improve program utilization and take action to adopt a policy change to the program, as follows:

1. Require the borrower pay a minimum 3% down payment, plus payment of closing costs.
2. Establish a maximum loan amount to be the lesser of 20% of the sales price or \$150,000.

Background

Under the State of California Redevelopment Agency Housing Laws, twenty percent (20%) of the tax revenue generated within a project area is set aside for the establishment of low and moderate-income housing assistance. One of the programs funded by the Agency is Belmont’s Home Buyer Assistance Program, started in 1996. At that time, the program provided long-term, low interest loans for down payment towards the purchase of a single-family residence, town home or condominium in the Redevelopment Area. Payment of the loan was deferred for 30 years or until the home was sold. The maximum home price in 1996 was set at \$300,000. The maximum loan amount was 10% of the home purchase price or \$30,000.

- In 1997 the program was updated, expanding the program to the entire City and raising the maximum loan to \$40,000 but the maximum purchase price was still limited to \$300,000.
- In 1998 the Agency eliminated the \$300,000 purchase price limit, but the maximum loan was still \$40,000.
- In 2000, the Agency changed the maximum loan amount from \$40,000 to 15% of the purchase price.

- In 2003, the Agency changed the maximum loan amount to 20% of the purchase price and created the administrative loan review committee to increase loan efficiency.

These program changes, combined with a favorable lending environment, a tight housing market and improved marketing led to significant interest in the Belmont Homebuyer Assistance Program; staff has been fielding an average of seven program questions a month and accepting approximately one application a month for the last year. In fact, the program's popularity led to an over-subscription of the available loan funds. In response, the Agency suspended the program in order to reconcile certain provisions, which are presented below.

Analysis

The quantity and nature of recent loan requests have given rise to a need for additional policy direction from the Redevelopment Agency Board. Staff would have the Board consider the following:

1. Requiring a minimum down payment from the applicant
2. Re-instating a maximum loan amount

Minimum Down Payment

Staff has found that lenders are now financing loan packages with an effective down payment of zero where the bank would loan 80%, the Belmont RDA would loan 20% and the applicant would put in nothing, except closing costs. Staff is concerned that this does not meet the intent of the program; however, Belmont's rules are vague. The eligibility requirements state in part that, "*You must have sufficient assets to pay down payment and closing costs required by the primary lender.*" (*emphasis added*) What we have learned is that primary lenders are willing to accept ZERO down payments, when the City is putting up twenty percent.

The Agency may consider requiring a certain down payment from the borrower to receive an Agency loan. An associated question is whether or not to include closing costs as part of – or in addition to – the required down payment. Staff's research indicates the following:

- Under normal circumstances mortgage lender require a 20% down payment, plus closing costs at approximately 2% of the purchase price.
- A Federal Housing Administration (FHA) Loan could require as low as a 3% down payment, but there are many limitations on program qualification.

If our Homebuyer Assistance Program Loan were to require a minimum down payment of 3%, and included the closing costs, the purchaser would simply cover the closing costs and have little equity in the loan (see chart below). A required 10% down payment would create more buyer involvement but may significantly reduce the pool of qualifying participants. Ten percent is a relatively large cash requirement and would be difficult for low and moderate-income households to provide. Further, many of the homes at the entry level have significant improvement needs like a new roof and foundation work. If the goal of this program is to make

home ownership affordable to low and moderate income households, they may need to preserve their cash to bring the house into a more improved condition.

Down Payment Comparison	3% down	3% plus closing costs (~5%)	10% down
Borrowers contribution towards purchase of a \$800,000 home	\$24,000	~\$40,000	\$80,000

Staff recommends that the minimum down payment provided by the borrower be 3% plus the closing costs.

Maximum Loan Amount

The current budget (FY 2004/2005) includes \$295,000 for the Homebuyer Assistance Program and the current regional average sales price for a single-family home is \$847,820 (median sales price is \$665,000). With a 20% Homebuyer Assistance Loan for purchase of an \$800,000 home (\$160,000) there would be funds for less than two loans.

The three most recent Homebuyer Assistance Loans have been for \$105,800, \$159,800, and \$91,080. From the year 2000, the highest Homebuyer Assistance Loan granted was \$159,800, the lowest loan granted was \$48,000, and the average of the nine loans granted was \$98,659 (See Attachment c).

Staff recommends that the program rules be changed to state, that the maximum loan amount shall be the lesser of 20% of the sales price or \$150,000, in order to allow for at least two home loans each year.

Conclusion

Staff believes there are benefits to this program to justify its continued use and improvement:

- LMI funds are being spent on loans, which are eventually returned to the Agency.
- The program promotes homeownership, as well as improvements to the City's housing stock.
- The State requires that the Agency put them to use, and we will be able to report this loan activity as a positive aspect of our annual RDA reports.

Previous changes to the Homebuyer Assistance Loan combined with a favorable lending environment, tight housing market and improved program marketing have led to significant program interest and over-subscription in FY 2003/2004. In order to resolve Homebuyer Assistance Loan program concerns, staff recommends requiring a minimum 3% down payment plus closing costs be paid by the borrower, and that the maximum loan amount of \$150,000 but not more than 20% of the purchase price

Fiscal Impact

The Belmont Redevelopment Agency has unencumbered funds for the Homebuyer Assistance Program Loans appropriated in 822-4633-9506-9020. These costs are continued from previous program operations. Expenditure of budgeted Redevelopment funds will be in the form of a 30-year loan secured by a second deed of trust and Resale Restriction Documents will structure loan repayment.

Recommendation

Adopt the attached Resolution approving the Homebuyer Assistance Program description of Exhibit A .

Alternative

1. Deny proposal and leave the existing Homebuyer Assistance Program in place.
2. Provide staff with other direction on program design.

Attachments

- a) Resolution of approval for Program Modification
- b) San Mateo County Housing Indicators (12/31/03)
- c) RDA Unit Listing
- d) Proposed Project Pamphlet

Respectfully submitted,

Dia Swan
Associate Planner

Craig A. Ewing, AICP
Administrative Officer

Jere A. Kersnar
Executive Director

RESOLUTION NO. R.A.____

ATTACHMENT A

**RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF BELMONT
APPROVING A MODIFICATION TO THE HOMEBUYER ASSISTANCE PROGRAM**

WHEREAS, the Redevelopment Agency of the City of Belmont has adopted and amended, from time to time, the Los Costanos Redevelopment Plan for the Los Costanos Redevelopment Project Area; and,

WHEREAS, among the central objectives of the Plan, the City's General Plan, and the California Community Redevelopment Law, Health and Safety Code sections 33000 et seq. are the creation of housing and rehabilitation of existing housing opportunities for low and moderate income households; and,

WHEREAS, in order to serve these objectives, the Redevelopment Agency of the City of Belmont developed a program to create homeownership opportunities for low and moderate income households; and,

WHEREAS, the Agency has established a Housing Fund pursuant to Health and Safety Code Section 33334.2 and funded the Home Buyer Assistance Program; and,

WHEREAS, the Program provides assistance to low and moderate income households with home ownership opportunities by providing down payment assistance; and,

WHEREAS, the Agency adopted on March 14, 1995, by Resolution No. R.A. 217, the Eligibility Criteria for Participation in the Homebuyers Assistance Program; and,

WHEREAS, the Agency adopted on November 12, 1997, by Resolution No. R.A. 287, the expansion of the Homebuyer Assistance Program to include the entire City of Belmont; and,

WHEREAS, the Agency adopted on September 8, 1998, by Resolution No. R.A. 308, the expansion of the Homebuyers Assistance Program to eliminate the home purchase price limit; and,

WHEREAS, the Agency adopted on March 14, 2000, by Resolution No. R.A. 350, the expansion of the Homebuyers Assistance Program to eliminate the home purchase price limit outside the Redevelopment Agency's Project Area and change the maximum loan amount from \$400,000 to 15% of the purchase price; and,

WHEREAS, the Agency adopted on April 8, 2003, by Resolution No. R.A. 406 the expansion of the Homebuyer Assistance Program (a) to increase the maximum loan amount to 20% of the purchase price, (b) to create an administrative loan review committee in order to

reduce loan processing time, and (c) to modify the Resale Restriction Agreement to include an equity sharing option, and how such programmatic modifications will benefit the success of the program; and,

WHEREAS, the staff report accompanying this Resolution provides information and analysis about the need for amending the Homebuyer Assistance Program to improve its usefulness in implementing the Agency's goals for home ownership; and,

NOW, THEREFORE, BE IT RESOLVED that the Agency finds and determines that the above recitals are true and correct and have served as a basis in part, for the following amendments to the Homebuyer Assistance Program:

1. Require the borrower pay a minimum 3% down payment, plus payment of closing costs.
2. Establish a maximum loan amount to be the lesser of 20% of the sales price or \$150,000.

BE IT FURTHER RESOLVED THAT, based on information and analysis set forth in the above recitals and contained in this staff report accompanying this Resolution, the Agency hereby finds and determines, pursuant to Health and Safety Code Section 33334.2(e)(8), to provide subsidies to low and moderate income households to the extent those households cannot obtain housing at affordable costs on the open market; and,

* * * * *

I hereby certify that the foregoing resolution was passed and adopted at a regular meeting of the Redevelopment Agency of the City of Belmont held on August 10, 2004 by the following vote:

AYES,
DIRECTORS: _____
NOES,
DIRECTORS: _____
ABSENT,
DIRECTORS: _____
ABSTAIN,
DIRECTORS: _____

SECRETARY, Redevelopment Agency

APPROVED:

CHAIR of the Board of Directors, Redevelopment Agency

San Mateo County Housing Indicators – Attachment B

As of March 31, 2004

Income Data			
2004 Median Family Income (Source – US Dept. of Housing & Urban Development)	1-person	\$66,500	1-Yr. Change +3.8%
	2-person	\$76,000	
	3-person	\$85,500	
	4-person	\$95,000	
Rental Data			
Section 8 Rent Payment Standard {replaced Fair Market Rent (FMR)} ¹ – rent effective 10/1/2003	\$1921 (2-bedroom)	\$1520 (1-bedroom)	
	<i>1-Yr. Change -0.98%</i>	<i>1-Yr. Change -0.98%</i>	
Average Apt. Rent - 03/2004 ²	\$1468 (2-bedroom)	\$1222 (1 bedroom)	
	<i>1-Yr. Change 3.5 %</i>	<i>1-Yr. Change -2.6%</i>	
Apartment Vacancy Rate -Quarter ending 03/2004 ²	6.0%		
Section 8 Waiting List ³	# of Households on List	Approx. 9,095	
	Average Turn-Over / Year	300 (Tot. 4,285 vouchers /certif.)	
	Average Wait Time	1 - 5 years	
Rental Affordability Data ⁴			
X A very low-income household of 4 (earning no more than 50% of adjusted median income) can afford monthly housing cost (rent & utilities) of no more than \$1,272.			
X In San Mateo County, a worker earning the minimum wage of \$6.75/hour has to work more than 225 hours/wk in order to afford a 2-bedroom unit at the Section 8 Payment Standard (even if you worked 24/hours a day, there are only 168 hours in a week!).			
X The Housing Wage in San Mateo County is \$36.94 B this is the amount a worker would have to earn per hour in order to be able to work 40 hours/week and afford a 2-bedroom unit at the Sec. 8 Payment Standard.			
Home Sales Data ⁵			
Median Sales Price - Quarter ending March 2004 (Single Family Home)	\$700,000		<i>1-Yr. Change +12.9%</i>
Average Sales Price - Quarter ending March 2004 (Single Family Home)	\$898,956		<i>1-Yr. Change +20.6 %</i>
Median Sales Price - Quarter ending March 2004 (Condominiums/Townhomes)	\$435,000		<i>1-Yr. Change +10.8%</i>
Average Sales Price - Quarter ending March 2004 (Condominiums/Townhomes)	\$453,455		<i>1-Yr. Change 11.2%</i>

Source/Notes:

- 1 County of San Mateo Housing Authority, which administers the Section 8 Program, is now using Section 8 Payment Standards rather than FMR (Fair Market Rent) standards, which are lower. Source of Payment Standard – US Dept. Of Housing & Urban Development (HUD).
- 2 RealFACTS, March 2004. Vacancy based on quarterly data only.
- 3 County of San Mateo Housing Authority. Original waiting list of 10,129 households was established from 1-week application window 3/30/02 - 4/02/02.
- 4 Information & calculations taken from National Low Income Housing Coalition, *Out of Reach*, September 2003.
- 5 San Mateo County Association of Realtors (SAMCAR), First Quarter 2004 Completed Sales data.

Belmont Redevelopment Agency - Below Market Rate Units

Attachment C

I) City Funded Properties with BMR units

Belmont House -	730 El Camino Real	[6 BMR units]	1995
Crestview Group Home -	503 Crestview Drive	[6 BMR units]	1991
Emmett House -	543 Ralston Avenue	[2 BMR units]	1998
Horizons -	825 Old County Road	[24 BMR units]	1993
The Lariat -	1428 El Camino Real	[5 BMR units]	1996

II) Production Units within the RDA Project Area:

Belmont Vista Assisted Living Facility -	900 Sixth Avenue	[10 BMR units]	1998
Oxford Place Development -	#25, #30, #41	[3 BMR units]	1999
Sterling Point Development -	935 Old County Road	[7 BMR units]	1992
Waltermire Apartments -	631 Waltermire Street	[2 BMR units]	1993

III) Units funded with a Redevelopment Agency Loan:

A) Homebuyer Assistance Program Loan

<i>Participant</i>	<i>Project Address</i>	<i>Purchase Price</i>	<i>RDA Loan</i>	<i>Date Approved</i>
Weitzel	1101 Continentals Way #211	\$320,000	\$48,000	<Paid 2002> 06/13/2000
Chandrasekaran	506 Dale View Avenue	\$475,000	\$71,250	10/08/2002
Nunes	2706 Coronet Boulevard	\$630,000	\$126,000	07/14/2003
Latimerlo	1121 Hiller Street	\$518,000	\$103,600	08/05/2003
Cruz	1101 Continentals Way #209	\$410,000	\$82,000	10/23/2003
Kuhns	935 Old County Road #29	\$502,000	\$100,400	<Cancelled> 02/01/2003
Owens	1021 Elmer	\$529,000	\$105,800	03/18/2004
Dompier/Norrbom	1203 Notre Dame	\$799,000	\$159,800	03/31/2004
Gilbreath	935 Old County Road #27	\$455,400	\$91,080	04/26/2004

B) Multi-Family Rehabilitation Assistance Program Loan

Morgan	621 Wessex Way	\$25,000	09/08/1998
Pellegrini	620 Masonic Way	\$13,479	06/13/2000

C) Owner Occupied Rehabilitation Assistance Program Loan

Daley	1425 Sixth Avenue	\$15,000	07/13/1998
Inman	1141 Furlong Street	\$15,000	09/08/1998
Calloni	506 Mountain View	\$15,000	<Paid 2003> 09/08/1998
Myers	413 Oxford Way	\$15,000	09/08/1998
Moyer	910 Ruth Avenue	\$15,000	09/08/1998
Jesson	521 Chesterton	\$15,000	05/11/1999

D) Police Officer Home Down Payment Assistance Program Loan -

Kuykendall	315 Chesterton	\$100,000	<Paid 2003> 03/14/2000
Moher	411 Hiller Street	\$75,000	<Paid 2003> 01/11/2000
Lashley	414 Hiller Street	\$100,000	03/14/2000

List up-dated by planning staff 6/2004

PLEASE NOTE:

Attachment D is not included as part of this document – please contact the City Clerk's Office at (650) 595-7413 for further information on this attachment.

Redevelopment Agency Staff Report
Re: Homebuyer Assistance Program Review
August 10, 2004
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